



JUMBO EXPRESS SELECT(QM) AND EXPRESS SELECT(NON-QM)

Program Eligibility Guide

VERSION 4.0

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Jumbo Express Select (QM) Loans Eligibility Matrix
Fixed Rate and Hybrid ARM Products

PRIMARY RESIDENCE | PURCHASE, RATE/TERM REFINANCE

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount ¹
PURCHASE & RATE AND TERM	1	760	85% ²	\$1,000,000
		720	80%	\$1,500,000
		720	75%	\$2,000,000
		720	70%	\$2,500,000 ³
		700	70%	\$1,000,000
	2	700	65%	\$1,000,000
		720	60%	\$1,500,000

PRIMARY RESIDENCE | CASH-OUT REFINANCE⁴

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
CASH-OUT REFINANCE	1	720	70%	\$1,000,000	\$250,000
		700	65%	\$1,000,000	\$250,000
		720	65%	\$1,500,000	\$500,000
		720	60%	\$2,000,000	\$500,000
		720	50%	\$2,500,000 ³	\$750,000

SECOND HOME | PURCHASE, RATE/TERM REFINANCE

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount ¹
PURCHASE	1	720	80% ⁵	\$1,000,000
PURCHASE OR RATE AND TERM REFINANCE	1	720	75%	\$1,000,000
			70%	\$1,500,000
			65%	\$2,000,000
			50%	\$2,500,000 ³

Jumbo Express Select (QM) Loans Eligibility Matrix
Fixed Rate (20, 25, 30 year)

SECOND HOME | CASH-OUT REFINANCE⁶

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
CASH-OUT REFINANCE	1	740	60%	\$1,000,000	\$250,000
			55%	\$1,500,000	\$500,000
			50%	\$2,000,000	\$750,000

INVESTMENT | PURCHASE, RATE AND TERM REFINANCE⁷

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
PURCHASE	1-4	740	70%	\$1,000,000
RATE & TERM REFINANCE	1-4	740	70%	\$1,000,000
CASH-OUT	1-4	740	60%	\$1,000,000 Max cash-out \$250k

¹ First-Time homebuyers are subject to a maximum loan amount of \$1,000,000. Loan amounts up to \$1,500,000 allowed in CA. See Eligible Borrower section for specific requirements for first-time homebuyers.

² The following requirements apply for transactions with LTVs greater than 80%:

- MI not required
- Secondary financing not allowed
- Max DTI 36%
- Non-perm resident aliens not allowed
- Gift funds not allowed
- Agency HB loan amounts are ineligible
- Escrow/impound accounts required for LTVs greater than 80% unless prohibited by applicable laws

³ Loan amounts > \$2,000,000 are available on 20, 25 and 30 year fixed rate product only.

⁴ Texas 50 (a) (6) refinance (Texas Equity Loans) only allowed on 20, 25 and 30 year fixed rate and retail originations only. Additional restrictions apply.

⁵ Second Home Purchases with LTV/CLTV/HCLTVs between 75.01% and 80% are limited to 20, 25, 30 year fixed rate

⁶ Second Home Cash-Out refinance transactions are limited to 20, 25, 30-yr fixed rate

⁷ The following requirements apply for Investment Property Purchase, Rate and Term Refinance and Cash-Out Refinance transactions:

- Florida condominiums limited to 50% LTV/CLTV/HCLTV
- Co-ops not allowed
- Gift funds not allowed
- Transaction must be arm's length
- Appraiser to provide rent comparable schedule
- If using rental income an executed lease agreement must be provided; see Rental Income requirements in the Income / Employment section for more details
- First-Time Homebuyers not allowed
- 20, 25, 30 year fixed rate only

EXPRESS SELECT (QM) LOAN NOTES:

- Minimum loan amount is \$424,101 for 1-unit properties, or \$1 above the conforming loan limits for properties with 2-4 units.
- Loan amounts between Conforming loan limits and Agency High Balance loan limits are eligible except on loans with LTVs greater than 80%.
- Exceptions may be granted on a case-by-case basis by CHMW (at its sole determination) for loans with terms or characteristics that are outside of CHMW's Express Select (QM) loan guidelines. Approval of the exception must be granted by CHMW prior to the delivery of the loan.

Jumbo Express Select (Non-QM) Loan Eligibility Matrix
Fixed Rate (20, 25, 30 year)

PRIMARY RESIDENCE | PURCHASE, RATE AND TERM REFINANCE

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount ¹
PURCHASE & RATE AND TERM	1	720	80%	\$1,500,000
		720	75%	\$2,000,000
		700	70%	\$1,000,000
	2	700	65%	\$1,000,000
		720	60%	\$1,500,000

PRIMARY RESIDENCE | CASH-OUT REFINANCE

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
CASH-OUT REFINANCE³	1	720	70%	\$1,000,000	\$250,000
		700	65%	\$1,000,000	\$250,000
		720	65%	\$1,500,000	\$500,000
		720	60%	\$2,000,000 ²	\$500,000

SECOND HOME | PURCHASE, RATE/TERM REFINANCE

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount ¹
PURCHASE	1	720	80%	\$1,000,000
PURCHASE OR RATE AND TERM REFINANCE	1	720	75%	\$1,000,000
			70%	\$1,500,000
			65%	\$2,000,000 ²

SECOND HOME | CASH-OUT REFINANCE⁵

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount	Maximum Cash-Out
CASH-OUT REFINANCE	1	740	60%	\$1,000,000	\$250,000
			55%	\$1,500,000	\$500,000
			50%	\$2,000,000	\$750,000

INVESTMENT | PURCHASE, RATE AND TERM REFINANCE⁶

Transaction Type	Units	FICO	Maximum LTV/CLTV/HCLTV	Maximum Loan Amount
PURCHASE	1-4	740	65%	\$1,000,000
RATE & TERM REFINANCE	1-4	740	60%	\$1,000,000
CASH-OUT REFINANCE	1-4	740	60%	\$1,000,000 Max cash-out \$250k

¹ First-Time Homebuyers are subject to a maximum loan amount of \$1,000,000. Loan amounts up to \$1,500,000 allowed in CA. See Eligible Borrower section for specific requirements for First-Time Homebuyers.

² Texas 50 (a) (6) refinance (Texas Equity Loans) only allowed. Additional restrictions apply.

³ The following requirements apply for Second Home Cash-Out Refinance transactions:

- No rental income for the subject property showing on Schedule E of the borrower's tax return
- No other financed REO other than subject and primary residence
- 20, 25, 30 year fixed rate only

⁴ The following requirements apply for Investment Property Purchase and Rate and Term Refinances:

- Florida condos limited to 50% LTV/CLTV
- Co-ops not allowed
- Gift funds not allowed
- Transactions must be arm's length
- Appraiser to provide rent comparable schedule
- First-Time Homebuyers not allowed

EXPRESS SELECT (NON-QM) LOAN NOTES:

Select (Non-QM) is a Non-QM loan with any of the following attributes:

- Debt-to-income ratio > 43%
- Qualifying income stream using asset depletion calculation as outlined in the Income section.
- Projected income without a guaranteed non-revocable contract. See Projected Income requirements.
- Gaps of employment outside of QM requirements (exception basis only).
- Investment purchase transaction using rental income with no lease agreement provided. See Rental Income requirements.
- Departure residence excluded from DTI when the property is not listed for sale or leased to rent at the time of the subject transaction. See Departure Residence section for requirements.

Minimum loan amount is \$300,000 for Select Non-QM loans. The loan must have one of the above Non-QM attributes.

Residual income calculation must be provided and must meet the residual income requirements indicated in the Income/Employment section of this guide.

Exceptions may be granted on a case-by-case basis by the Investor (at its sole determination) for loans with terms or characteristics that are outside of the Investors Select Non-QM eligibility requirements. Approval of the exception must be granted by the Investor prior to the delivery of the loan.

A loan closed as a Non-QM loan that was not locked with the CHMW on or before the Note date is not eligible for delivery under Select Non-QM to the CHMW.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

	Fixed Rate	EXPRESS SELECT (QM): 10, 15, 20, 25, 30 year
		EXPRESS SELECT (NON-QM): 20, 25, 30 year
ELIGIBLE PRODUCTS	<p>EXPRESS SELECT (QM) ARM FEATURES:</p> <p>EXPRESS SELECT (QM) Product Only. Express Select (Non-QM) is not eligible for ARMs.</p> <ul style="list-style-type: none"> » 5/1, 7/1, 10/1 ARM Fully Amortizing, 30 year term » Margin: 2.25 » Floor: 2.25 » Caps 2/2/5 (Initial, Subsequent, Lifetime) 5/1, 7/1, 10/1 ARMs » Caps 5/2/5 allowed on 7/1, 10/1 ARM » Index: 1 Year LIBOR » Assumable » No Conversion Option » Qualifying Rate: <ul style="list-style-type: none"> - 5/1 ARM, qualify with greater of the fully indexed rate or the Note rate +2%. - 7/1 ARM & 10/1 ARM, qualify with the greater of the fully indexed rate or the Note rate. 	
INELIGIBLE PRODUCTS	<ul style="list-style-type: none"> » Higher Priced Mortgage Loans (HPML) » Non-Standard to Standard Refinance Transactions (ATR Exempt) » Higher Priced Covered Transactions (HPCT QM-Rebuttable Presumption) » Balloons » Graduated Payments » Interest only Products » Temporary buy downs » Loans with prepayment penalties » Convertible ARMs » Construction to permanent financing 	
UNDERWRITING	<ul style="list-style-type: none"> » Manual underwrite is required. » AUS findings are not considered; no documentation waivers are considered. » EXPRESS SELECT (QM) - Unless otherwise noted in CHMW guidelines, the more restrictive of the Fannie Mae Selling Guide or Appendix Q (to part 1026 to 12 CFR Chapter X-Truth-in-Lending Regulation Z) should be followed. » EXPRESS SELECT (NON-QM) - Unless otherwise noted in CHMW guidelines, Fannie Mae guidelines should be followed. In all cases, the loan file must document the eight (8) ATR rules. In some cases, exceptions to program or product guidelines may be acceptable when strong compensating factors exist to offset the risk. Prior exception approval required from CHMW. 	
ELIGIBLE BORROWERS	<ul style="list-style-type: none"> » First-Time Homebuyers is defined as a borrower who has not owned a home in the last three (3) years. For loans with more than one (1) borrower, where at least one (1) borrower has owned a home in the last three (3) years, first-time homebuyer requirements do not apply. <ul style="list-style-type: none"> - Maximum loan amount is \$1,000,000. - For transactions located in CA, NJ, NY or CT, the maximum loan amount of \$1,500,000 is allowed if the following requirements are met. <ul style="list-style-type: none"> • 720 Minimum FICO Score • No gift funds allowed • Primary residence only • Reserve requirements met for FTHB as specified in the Asset section » US Citizens » Permanent Resident Aliens with evidence of lawful residency <ul style="list-style-type: none"> - Must be employed in the US for the past twenty-four (24) months. 	

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

<p align="center">ELIGIBLE BORROWERS</p>	<ul style="list-style-type: none"> » Non-Permanent Resident Aliens with evidence of lawful residency are eligible with the following restrictions: <ul style="list-style-type: none"> - Primary residence only - Maximum LTV/CLTV/HCLTV 75% - 20, 25, 30 year fixed rate only - No other financed properties in the US - Unexpired H1B, H2B, E1, L1 and G Series Visas only. G Series Visas must have no diplomatic immunity. - Credit tradeline requirements must be met, no exceptions. - Borrower must have a current 24 month employment history in the US. » Documentation evidencing lawful residency must be met (see Express Program Eligibility Supplement for requirements). » Illinois Land Trust (see Express Select Program Eligibility Supplement for requirements). » Inter Vivos Revocable Trust (see Express Select Program Eligibility Supplement for requirements). » All borrowers must have a valid Social Security Number.
<p align="center">INELIGIBLE BORROWERS</p>	<ul style="list-style-type: none"> » Foreign Nationals » Borrowers with diplomatic status » Life Estates » Non-Revocable Trusts » Guardianships » LLCs, Corporations or Partnerships » Land Trusts, except for Illinois Land Trust » Non-Occupant Co-Borrowers » Borrowers with any ownership in a business that is federally illegal, regardless if the income is not being considered for qualifying (ie: cannabis grow operations, distribution or sell)
<p align="center">ELIGIBLE OCCUPANCY TYPES</p>	<ul style="list-style-type: none"> » Primary residences for 1-2 units » Second Home residences for 1 unit properties <ul style="list-style-type: none"> - Must be a reasonable distance away from borrower's primary residence. - Must be occupied by the borrower for some portion of the year. - Must be suitable for year-round use. - Must not be subject to a rental agreement and borrower must have exclusive control over the property. - Any rental income received on the property cannot be used as qualifying income. » Investment properties for 1/4 units
<p align="center">DOCUMENTATION</p>	<ul style="list-style-type: none"> » All loans must be manually underwritten and fully documented. No documentation waivers based on AUS recommendations permitted. » Income calculation worksheet or 1008 with income calculation. The Fannie Mae 1084, Freddie Mac Form 91 or equivalent is required for selfemployment analysis. If using the Fannie Mae Form 1084; for applications on or after 2.01.2016, the Form 1084 must be the most recent form dated 8.25.2015 and the new instructions within the Form 1084 followed. » Full income and asset verification is required. » All credit documents, including title commitment must be no older than 90 days from the Note date. » All appraisals must be no older than 120 days from the Note date. Recertification of value is not allowed. A new appraisal is required. » QM designation must be provided in the loan file. QM designation is safe harbor.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

<p>DOCUMENTATION</p>	<ul style="list-style-type: none"> » QM designation is not applicable for investment property transactions when the transaction is exclusively for business purposes. <ul style="list-style-type: none"> - Investment property transactions require an attestation from the borrower stating the property is used 100% of the time for business purposes in order for the designation to be Not Applicable. If the borrower does not use the property 100% of the time for business purposes the loan is subject to QM and the designation would be QM Safe Harbor for Select QM loans. » Loan file must document the eight (8) Ability to Repay (ATR) rules identified in Part 1026-Truth-in-Lending (Regulation Z). » If subject transaction is paying off a HELOC that is not included in the CLV/HCLTV calculation, the loan file must contain evidence the HELOC has been closed. » If the 1003, title commitment or credit documents indicate the borrower is a party to a lawsuit, additional documentation must be obtained to determine no negative impact on the borrower's ability to repay, assets or collateral. » EXPRESS SELECT (NON-QM) program requires the Residual Income Calculation Worksheet or equivalent with positive residual income. » If subject transaction is paying off a HELOC that is not included in the CLTV calculation, the loan file must contain evidence the HELOC has been closed.
<p>DEBT-TO-INCOME RATIO (DTI)</p>	<ul style="list-style-type: none"> » EXPRESS SELECT (QM) Fixed Rate & ARMs: 43.00% for LTVs ≤80%. 36.00% for LTVs >80%. » EXPRESS SELECT (NON-QM) Fixed Rate: 50.00%.
<p>LTV/CLTV/HCLTV CALCULATIONS FOR REFINANCES</p>	<ul style="list-style-type: none"> » If subject property is owned more than twelve (12) months, the LTV/CLTV/HCLTV is based on the current appraised value. The twelve (12) month time frame is defined as prior Note date to subject Note date. » If subject property is owned less than twelve (12) months, the LTV/CLTV/HCLTV is based on the lesser of the original purchase price plus documented improvements made after the purchase of the property, or the appraised value. Documented improvements must be supported with receipts. The twelve (12) month time frame is defined as prior Note date to subject Note date.
<p>REFINANCE</p>	<p>RATE AN TERM REFINANCE:</p> <ul style="list-style-type: none"> » The new loan amount is limited to pay off the current first lien mortgage, any seasoned non-first lien mortgages, closing costs and prepaid items. <ul style="list-style-type: none"> - If the first mortgage is a HELOC, evidence it was a purchase money HELOC or it is a seasoned HELOC that has been in place for twelve (12) months and total draws do not exceed \$2000 in the most recent twelve (12) months. - A seasoned non-first lien mortgage is a purchase money mortgage or a mortgage that has been in place for 12 months. - A seasoned equity line is defined as not having draws totaling over \$2000 in the most recent 12 months. Withdrawal activity must be documented with a transaction history. - Max cash back at closing is limited to 1% of the new loan amount.

**REFINANCE
TRANSACTIONS**

- » **Properties inherited less than twelve (12) months prior to application date can be considered for a Rate and Term refinance transaction if the following requirements are met:**
 - Must have clear title or copy of probate evidencing borrower was awarded the property.
 - A copy of the will or probate document must be provided, along with the buy-out agreement signed by all beneficiaries.
 - Borrower retains sole ownership of the property after the pay out of the other beneficiaries.
 - Cash back to borrower not to exceed 1% of loan amount

DELAYED PURCHASE REFINANCING IS ALLOWED WITH THE FOLLOWING REQUIREMENTS:

- » **Property was purchased by borrower for cash within six (6) months of the loan application**
- » **HUD-1/CD from purchase reflecting no financing obtained for the purchase of the property.**
- » **Preliminary title reflects the borrower as the owner and no liens.**
- » **Funds used to purchase the property are fully documented and sourced and must be the borrower's own funds (no borrowed funds, gift funds, business funds).**
- » **LTV/CLTV/HCLTV for Rate and Term refinances must be met. The loan is treated as a Rate and Term refinance.**
- » **Funds drawn from a HELOC on another property owned by the borrower, funds borrowed against a margin account or funds from a 4019K0 loan are acceptable if the following requirements are met:**
 - The borrowed funds are fully documented
 - The borrowed funds are reflected on the Closing Disclosure (DD) as a payoff on the new refinance transaction
- » **Investment properties are allowed as long as borrower is not a builder or in the construction industry and prior transaction was arm's length.**

CASH-OUT REFINANCE REQUIREMENTS:

- » **Borrower must have owned the property for at least six (6) months. If the property is owned free and clear and six (6) month seasoning is not met, refer to Delayed Purchase Refinancing section above.**
- » **Maximum cash-out limitations include the payoff of any unsecured debt, unseasoned liens and any cash in hand.**
- » **Inherited properties may not be refinanced as a cash-out refinance prior to twelve (12) months ownership. See Rate and Term Refinances for requirements.**
- » **Cash-out refinances where the borrower is paying off a loan from a pledged asset/retirement account loan, secured loan, unsecured family loan or replenishing business funds used to purchase the property, the following guidelines apply:**
 - Cash-out limitation is waived if previous transaction was a purchase.
 - Seasoning requirement for cash-out is waived (borrower does not have to have owned for six (6) months prior to subject transaction).
 - Funds used to purchase the subject property must be documented and sourced.
 - HUD-1 for subject transaction must reflect payoff or pay down of pledged asset or retirement account loan. If cashout proceeds exceeds payoff of loans, excess cash must meet cash-out limitations.
 - The purchase must have been arm's length.
 - Investment properties are ineligible.

CONTINUITY OF OBLIGATION:

When at least one (1) borrower on the existing mortgage is also a borrower on the new refinance transaction, continuity of obligation requirements have been met. If continuity of obligation is not met, the following permissible exceptions are allowed for the new refinance to be eligible:

<p style="text-align: center;">REFINANCE TRANSACTIONS</p>	<ul style="list-style-type: none"> » The borrower has been on title for at least 12 months but is not obligated on the existing mortgage that is being refinanced and the borrower meets the following requirements: <ul style="list-style-type: none"> - Has been making the mortgage payments (including any secondary financing) for the most recent 12 months or - Is related to the borrower on the mortgage being refinanced. » The borrower on the new refinance transaction was added to title 24 months or more prior to the disbursement date of the new refinance transaction. » The borrower on the refinance inherited or was legally awarded the property by a court in the case of divorce, separation or dissolution of a domestic partnership. » The borrower on the new refinance transaction has been added to title through a transfer from a trust, LLC or partnership. The following requirements apply: <ul style="list-style-type: none"> - Borrower must have been a beneficiary/creator (trust) or 25% or more owner of the LLC or partnership prior to the transfer. - The transferring entity and/or borrower has had a consecutive ownership (on title) for at least the most recent 6 months prior to the disbursement of the new loan. <p>NOTE: Transfer of ownership from a corporation to an individual does not meet the continuity of obligation requirement.</p>
<p style="text-align: center;">SECONDARY FINANCING</p>	<ul style="list-style-type: none"> » Institutional Financing only. Seller subordinate financing not allowed. » Subordinate liens must be recorded and clearly subordinate to the first mortgage lien. » If there is or will be an outstanding balance at the time of closing, the monthly payment for the subordinate financing must be included in the calculation of the borrower's debt-to-income ratio. » Full disclosure must be made of the existence of subordinate financing and the subordinate financing repayment terms. The following are acceptable subordinate financing types: <ul style="list-style-type: none"> - Mortgage terms with interest at market rate. - Mortgage with regular payments that cover at least the interest due, resulting in no negative amortization. » Employer subordinate financing is allowed with the following requirements: <ul style="list-style-type: none"> - Employer must have an Employee Financing Assistance Program in place. - Employer may require full repayment of the debt if the borrower's employment ceases before the maturity date. - Financing may be structured in any of the following ways. <ul style="list-style-type: none"> • Fully amortizing level monthly payments • Deferred payments for some period before changing to fully amortizing payments • Deferred payments over the entire term. • Forgiveness of debt over time • Balloon payment of no less than five (5) years, or the borrower must have sufficient liquidity to pay off the subordinate lien. » LTV/CLTV/HCLTV guidelines must be met for loans with subordinate financing. » Secondary financing not allowed on LTVs >80% on Select QM.
<p style="text-align: center;">TEXAS 50 (A) (6) REFI- NANCE (TEXAS EQUITY LOANS)</p>	<ul style="list-style-type: none"> » 20, 25, and 30-year fixed rate only » Buy downs not allowed » Maximum LTV/CLTV is 80% or lesser of program maximum <p>1. General Requirements</p> <p>In addition to standard guidelines, loans originated in the State of Texas may be subject to additional requirements and restrictions due to the provisions of Section 50 (a) (6) of the Texas Constitution (Texas Equity Loan).</p>

**TEXAS 50 (A) (6)
REFINANCE (TEXAS
EQUITY LOANS)**

All cash -out loans and certain Rate and Term refinance transactions, involving the borrower's primary homestead property, are subject to these special requirements. Redwood follows Fannie Mae requirements related to Section 50 (a) (6) loans. Failure to follow these requirements will result in the loan being ineligible for purchase.

- » Sellers should be aware that FNMA/FHLMC classification of mortgage transactions as "cash-out refinance" and "limited cash-out refinance" (FNMA) or "no cash-out" (FHLMC) may differ from the way mortgages are classified under Texas law. The following transaction types are subject to the provisions of Texas Section 50 (a) (6):
 - Jumbo Rate and Term Refinance where new loan pays off an existing Texas Equity Loan. Once a Texas Equity Loan always a Texas Equity Loan.
 - Jumbo Rate and Term Refinance with incidental cash back.
 - Jumbo Cash-Out Refinance.
- » If the existing loan is not a Texas Equity Loan, funds from a new loan may be used in the following manner and still be considered a standard Rate and Term refinance transaction:
 - New loan is less than or equal to the existing UPB.
 - New loan equals UPB plus prepaids and closing costs.
 - New loan pays down or pays off a purchase money second .
 - New loan pays down or pays off an existing Secured Home Improvement Loan (mechanics lien).
 - New loan provides funds necessary to satisfy a court ordered divorce equity buyout.
 - New loan pays down or pays off a tax lien.
- » If the new refinance loan is classified under Texas law as a Texas 50 (a) (6), the loan must be locked with Redwood as a Cash-Out Refinance.

2. Eligible Property Types

- » Single-unit principal residence designated as the borrower's homestead under Texas law. Eligible property types are limited to an attached or detached dwelling, a unit in a PUD project, or a unit in a condominium project. Owner occupied primary residences only. Documented proof of Homestead Designation is required.

NOTE: 2-4 unit properties not allowed.

Non-Borrowing Spouse

- » The owner of the homestead and their spouse must consent to the extension of credit by executing the Deed of Trust. A non-borrowing spouse, regardless of their ownership interest in the homestead property, has the right to cancel. Redwood will accept either the appropriate federal "Notice of Right to Cancel" or a Texas specific "Notice of Right to Cancel."

Property Valuation

- » To determine current value lenders must obtain a new full appraisal on either a Uniform Residential Appraisal Report, or Individual Condominium Unit Appraisal Report. The appraisal for the property and the acknowledgment of fair market value must not include any property other than the homestead.

The survey (or other acceptable evidence) must demonstrate that:

- » Homestead property and any adjacent land are separate parcels, and
- » Homestead property is a separately platted and subdivided lot for which full ingress and egress is available.

3. Additional Requirements for Texas Equity Loans

- » Fees and charges to make the loan may not exceed 3% of the loan amount.
- » The borrower's first payment must be due no later than two (2) months after closing.
- » The lender must provide the title company with a detailed closing instruction letter, and require acknowledgement of its receipt.

**TEXAS 50 (A) (6)
REFINANCE (TEXAS
EQUITY LOANS)**

- » If this loan is being used to pay off a previous Texas Equity Loan, the loan may not close before twelve (12) months have passed from the closing date of the Texas Equity Loan being paid off.
- » If the new loan is a Texas Equity Loan originated to cure a failure in the original mortgage to comply with Section 50(a)(6), then the Texas law require ment that at least twelve (12) months have passed since any previous Texas Equity Loan secured by a homestead property was closed does not apply.
- » The loan may not close before twelve (12) days after the loan application was taken by the lender or the borrower receives the "NOTICE CONCERNING EXTENSIONS OF CREDIT DEFINED BY SECTION 50(a)(6), ARTICLE XVI, TEXAS CONSTITUTION" disclosure, whichever date is later AND may not close, without the borrower's consent, one (1) business day after the date on which the borrower receives a copy of the loan application, if not previously provided, and a final itemized disclosure of the actual fees, points, interest, costs and charges that will be charged at closing.
- » The loan may only close at the office of the lender, title company or an attorney at law.
- » Power of Attorney may not be used on a Texas Equity Loan.
- » Use FNMA approved Texas Equity legal documents (Note, Deed, Riders, etc.).

4. Seller Eligibility Requirements for Delivery of Texas Equity Loans

- » Seller must qualify as an authorized lender under the Texas Constitution. NMLS record must confirm that Seller holds the necessary Texas registration.
- » Seller has policy and procedures in place around the origination of Texas Equity Loans that meet the provisions of the Texas Constitution applicable to mortgage loans authorized by Section 50 (a) (6), Article XVI of the Texas Constitution.
- » The proceeds from a Texas Equity Loan must not be used to acquire or improve the homestead if a mortgage for that purpose could have been made under a different provision of the Texas Constitution.

CREDIT

Tradeline Requirements

- » **Minimum three (3) tradelines are required. The following requirements apply:**
 - One (1) tradeline must be open for 24 months and active within the most recent 6 months.
 - Two (2) remaining tradelines must be rated for 12 months and may be opened or closed. OR
- » **Minimum two (2) tradelines are acceptable if the borrower has a satisfactory mortgage rating for at least 12 months (opened or closed) within the last 24 months and one (1) additional open tradeline.**
- » **Each borrower contributing income for qualifying must meet the minimum tradeline requirements; however borrowers not contributing income for qualifying purposes are not subject to minimum tradeline requirements.**
- » **Authorized user accounts are not allowed as an acceptable tradeline**
- » **Non-traditional credit is not allowed as an acceptable**

Disputed Tradelines:

- » **All disputed tradelines must be included in the DTI if the account belongs to the borrower unless documentation can be provided that authenticates the dispute**
- » **Derogatory accounts must be considered in analyzing the borrower's willingness to repay. However if a disputed account has a zero balance and no late payments, it can be disregarded.**

Mortgage History Requirements:

- » **If the borrower(s) has a mortgage or rental history in the most recent 24 months, a VOM or VOR must be obtained reflecting 0X30 in the last 24 months. Applies to all borrowers on the loan.**
- » **If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise if not related or a party to the transaction a satisfactory VOR can be provided.**

CREDIT

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Rental History Requirements:

- » **If the borrower(s) has a rental history in the most recent twelve (12) months, a VOR must be obtained reflecting 0X30 in the last twelve (12) months. Applies to all borrowers on the loan.**
- » **If the landlord is a party to the transaction or relative of the borrower, cancelled checks or bank statements to verify satisfactory rent history is required; otherwise if not related or a party to the transaction a satisfactory VOR can be provided.**

Derogatory Credit:

- » **Bankruptcy, Chapter 7, 11, 13 - Seven (7) years since discharge / dismissal date**
- » **Foreclosure - Seven (7) years since completion date**
- » **Notice of Default - Seven (7) years**
- » **Short Sale/Deed-in-Lieu - Seven (7) years since completion / sale date**
- » **Mortgage accounts that were settled for less, negotiated or short payoffs - Seven (7) years since settlement date**
- » **Loan Modification –**
 - **Lender initiated modification will not be considered a derogatory credit event if the modification did not include debt forgiveness and was not due to hardship as evidenced by supporting documentation. No seasoning requirement would apply.**
 - If the modification was due to hardship or included debt forgiveness –seven (7) years since modification
 - Multiple derogatory credit events not allowed.
 - Exceptions for credit events will be considered on a case-by-case basis between four (4) and seven (7) years with extenuating circumstances subject to the following:
 - Extenuating circumstances are defined as non-recurring events that were beyond the borrower's control resulting in a sudden, significant and prolonged reduction in income or catastrophic increase in financial obligations.
 - Examples would include death or major illness of a spouse or child but would not include divorce or job loss.

CREDIT

- Documentation must be provided to support the claim of extenuating circumstances and confirm the nature of the event that led to the credit event and illustrate the borrower had no reasonable option other than to default on their obligations.
- If the defaulted debt was assigned to an ex-spouse and the default occurred after the borrower was relieved of the obligation, the event may be considered on an exception basis.
- Multiple derogatory credit events not allowed.
- Medical collections - allowed to remain outstanding if the balance is less than \$10,000 in aggregate.

Outstanding Judgements/Tax Liens:

- » Tax liens, judgments charge-offs and past due accounts must be satisfied or brought current prior to or at closing.
- » Payment plans on prior year tax liens/liabilities are not allowed, must be paid in full.

Credit Inquiries:

- » If the credit report indicates recent inquiries within the most recent 120 days of the credit report, the borrower must confirm that they did not obtain additional credit that is not reflected in the credit report or mortgage application. In these instances the borrower must explain the reason for the credit inquiry.
- » If additional credit was obtained, a verification of that debt must be provided and the borrower must be qualified with the monthly payment.
- » Confirmation of no new debt may be in the form of a new credit report, pre-close credit report or gap credit report.

Credit Reports-Frozen Bureaus:

- » Credit reports with bureaus identified as "frozen" are required to be unfrozen and a current credit report with all bureaus unfrozen is required.

LIABILITIES

Liability Requirements:

- » The monthly payment on revolving accounts with a balance must be included in the borrower's DTI, regardless of the number of months remaining. If the credit report does not reflect a payment and the actual payment cannot be determined, a minimum payment may be calculated using the greater of \$10 or 5%.
- » If the credit report reflects an open-end or net thirty (30) day account, the balance owing must be subtracted from liquid assets.
- » Loans secured by financial assets (life insurance policies, 401(k), IRAs, CDs, etc.) do not require a payment to be included in the DTI as long as documentation is provided to show the borrower's financial asset as collateral for the loan.
- » For all student loans, whether deferred, in forbearance, or in repayment, the monthly payment to be used is the greater of the following:
 - 1% of the outstanding balance; or
 - The actual documented payment
 - If the actual documented payment is less than 1% of the outstanding balance and it will fully amortize the loan with no payment adjustments, the lower fully amortizing payment may be used in qualifying.
 - HELOCs with a current outstanding balance with no payment reflected on the credit report may have the payment documented with a current billing statement. HELOCs with a current \$0 balance do not need a payment included in the DTI unless using for down payment or closing costs.
 - Lease payments, regardless of the number of payments remaining must be included in the DTI.
 - Installment debts lasting ten (10) months or more must be included in the DTI.

LIABILITIES

- Alimony payments may be deducted from income rather than included as a liability in the DTI.
- If the most recent tax return or tax extension indicate a borrower owes money to the IRS or State Tax Authority, evidence of sufficient assets to pay the debt must be documented if the amount due is within ninety (90) days of loan application date.

Contingent Liabilities:

- » **Co-Signed Loans:** The monthly payment on a co-signed loan may be excluded from the DTI if evidence of timely payments made by the primary obligor (other than the borrower) is provided and there are no late payments reporting on the account.
- » **Court Order:** If the obligation to make payments on a debt has been assigned to another person by court order, the payment may be excluded from the DTI if the following documents are provided.
 - Copy of court order
 - For mortgage debt, a copy of the document transferring ownership of property.
 - If transfer of ownership has not taken place, any late payments associated with the repayment of the debt owing on the mortgage property should be taken into account when reviewing the borrower’s credit profile.
- » **Assumption with No Release of Liability:** The debt on a previous mortgage may be excluded from DTI with evidence the borrower no longer owns the property. The following requirements apply:
 - Payment history showing the mortgage on the assumed property has been current during the previous 12 months or
 - The value on the property, as established by an appraisal or sales price on the HUD-1 results in an LTV of 75% or less.

Departure Residence Pending Sale:

In order to exclude the payment for a borrower’s primary residence that is pending sale but will close after the subject transaction the following requirements must be met:

- » A copy of an executed sales contract for the property pending sale and confirmation all contingencies have been cleared/satisfied.
- » The closing date for the departure residence must be within 30 days of the subject transaction note date.
- » 6 months liquid reserves must be verified for the PITIA of the departure residence.

Departure Residence Subject to Guaranteed Buy-out with Corporation Relocation:

In order to exclude the payment for a borrower’s primary residence that is part of a Corporate Relocation the following requirements must be met:

- » Copy of the executed buy-out agreement verifying the borrower has no additional financial responsibility toward the departing residence once the property has been transferred to the 3rd party.
- » Guaranteed buy-out by the 3rd party must occur within 4 months of the fully executed guaranteed buy-out agreement.
- » Evidence of receipt of equity advance if funds will be used for down payment or closing costs.
- » Verification of an additional 6 months PITIA of the departure residence.

ASSETS

Asset Requirements:

- » Beyond the minimum reserve requirements and in an effort to fully document the borrowers’ ability to meet their obligations, borrowers should disclose all liquid assets.
- » Large deposits inconsistent with monthly income or deposits must be verified if using for down payment, reserves or closing costs. Lender is responsible for verifying large deposits did not result in any new undisclosed debt.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

	Asset Type	% Eligible for Calculation of Funds	Additional Requirements
ASSETS	<ul style="list-style-type: none"> - Checking - Savings - Money Market - CDs 	100%	<ul style="list-style-type: none"> - 2 months most recent statements
	<ul style="list-style-type: none"> - Stocks, Bonds - Mutual Funds - Non-vested or restricted stock are not eligible. 	100%	<ul style="list-style-type: none"> - 2 months most recent statements. - Non-vested stock is ineligible
	<ul style="list-style-type: none"> - Retirement - 401K - IRAs - Etc 	If borrower is >59 ½, then 70% of the vested value after the reduction of any outstanding loans.	<ul style="list-style-type: none"> - Most recent statement covering a 2 month period - Evidence of liquidation if using for down payment or closing costs - Retirement accounts that do not allow for any type of withdrawal are ineligible for reserves
		If borrower is <59 ½, then 60% of the vested value after the reduction of any outstanding loans.	
	<ul style="list-style-type: none"> - Cash Value of Life Insurance - Annuities 	100% of value unless subject to penalties	Most recent statement(s) covering a 2 month period
	<ul style="list-style-type: none"> - 1031 Exchange 	<ul style="list-style-type: none"> - Allowed on second home and investment purchases only. - Reverse 1031 exchanges not allowed. 	<ul style="list-style-type: none"> - HUD-1/CD for both properties. - Exchange agreement. - Sales contract for exchange property. - Verification of funds from the Exchange Intermediary.
	<ul style="list-style-type: none"> - Business Funds 	<ul style="list-style-type: none"> - Cash flow analysis required using most recent 3 months business bank statements to determine no negative impact to business. 	<ul style="list-style-type: none"> - Cash flow analysis required using most recent 3 months business bank statements to determine no negative impact to business.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

ASSETS	- Business Funds	<ul style="list-style-type: none"> - Cash flow analysis required using most recent 3 months business bank statements to determine no negative impact to business. 	<ul style="list-style-type: none"> - Borrower must be 100% owner of the business. - Business funds for reserves or combination of personal/business funds for reserves will require the total amount of reserves to be 2x or double the regular requirement for the subject property and any additional financed REO.
	Gift Funds	<ul style="list-style-type: none"> - Gift funds may be used once borrower has contributed 5% of their own funds. - Gift funds not allowed for reserves. - Gift funds not allowed on LTVs >80%. - Gift funds not allowed on investment properties. 	<ul style="list-style-type: none"> - Donor must be immediate family member, future spouse or domestic partner. - Executed gift letter with gift amount and source, donor's name, address, phone number and relationship. - Lender must verify sufficient funds to cover the gift are either in the donor's account or have been transferred to the borrower's account. - Acceptable documentation includes the following: <ul style="list-style-type: none"> - Copy of donor's check and borrower's deposit slip. - Copy of donor's withdrawal slip and borrower's deposit slip - Copy of donor's check to the closing agent - A settlement statement/CD showing receipt of the donor's gift check.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

	Reserve Requirements			
	Occupancy	Loan Amount	Express Select (QM)	Express Select (Non-QM)**
ASSETS	Primary Residence	≤ \$1,000,000 LTV ≤80%	6 months PITIA	12 months PITIA
		≤ \$1,000,000 LTV >80%	12 months PITIA	N/A
		\$1,000,001-\$1,500,000	9 months PITIA	18 months PITIA
		\$1,500,001-\$2,000,000	12 months PITIA	24 months PITIA
		\$2,000,001-\$2,500,000	24 months PITIA	N/A
	Second Home	≤ \$1,000,000	12 months PITIA	24 months PITIA
		\$1,000,001-\$1,500,000	18 months PITIA	36 months PITIA
		\$1,500,001-\$2,000,000	24 months PITIA	48 months PITIA
		\$2,000,001-\$2,500,000	36 months PITIA	N/A
	Investment Property	≤ \$1,000,000	18 months PITIA	24 months PITIA
	First-Time Homebuyer	≤ \$1,000,000 LTV ≤80%	12 months PITIA	12 months PITIA
		≤ \$1,000,000 LTV >80%	18 months PITIA	N/A
		\$1,000,001-\$1,500,000	15 months PITIA	18 months PITIA
	ARM Products	All loan amounts	Additional 3 months	N/A
	Additional 1-4 Unit Financed Residential Properties Owned (if excluded from the count of multiple financed properties, reserves are not required.)	All loan amounts	Additional 6 months reserves PITIA for each property	Additional 6 months reserves PITIA for each property
<p>**Express Select (Non-QM) Requirement: At least 6 months reserves of PITIA for the subject property must be in a non-retirement account for borrowers that are not of retirement age.</p>				

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

<p align="center">FINANCING CONCESSIONS</p>	<ul style="list-style-type: none"> » Interested party contributions include funds contributed by the property seller, builder, real estate agent/broker, mortgage lender or their affiliates and/or any other party with an interest in the real estate transaction. The following restrictions for interested party contributions apply: <ul style="list-style-type: none"> - May only be used for closing costs and prepaid expenses and may not be used for down payment or reserves. - Maximum interested party contribution is limited to 6% for primary and second home transactions with LTVs ≤80%; 3% for primary residences with LTVs over 80%; 2% for investment properties regardless of LTV.
<p align="center">SELLER CONCESSIONS</p>	<ul style="list-style-type: none"> » All seller concessions must be addressed in the sales contract, appraisal and HUD-1/CD. A seller concession is defined as any interested party contribution beyond the stated limits (as shown in the prior section, financing concessions) or any amounts not being used for closing costs or prepaid expenses. » If a seller concession is present, both the appraised value and the sales price must be reduced by the concession amount for the purposes of calculation LTV/CLTV/HCLTV.
<p align="center">PERSONAL PROPERTY</p>	<ul style="list-style-type: none"> » Any personal property transferred with a property sale must be deemed to have zero transfer value as indicated by the sales contract and appraisal. » If any value is associated with the personal property, the sales price and the appraised value must be reduced by the personal property value for purposes of calculating the LTV/CLTV/HCLTV.
<p align="center">INCOME / EMPLOYMENT</p>	<p>Stable monthly income must meet the following requirements to be considered for qualifying:</p> <ul style="list-style-type: none"> - Stable - two (2) year history of receiving the income - Verifiable - High probability of continuing for at least three (3) years <p>When the borrower has less than a two (2) year history of receiving income, the lender must provide a written analysis to justify the determination that the income used to qualify the borrower is stable.</p> <p>Declining Income: When the borrower has declining income, the most recent twelve (12) months should be used. In certain cases, an average of income for a longer period may be used when the decline is related to a one-time capital expenditure and proper documentation is provided. In all cases, the decline in income must be analyzed to determine if the rate of decline would have a negative impact on the continuance of income and the borrower's ability to repay.</p> <p>If declining income is for a non-self-employed borrower, the employer or the borrower should provide an explanation for the decline and the underwriter should provide a written justification for including the declining income in qualifying.</p> <p>Gaps in Employment: A minimum of two (2) years employment and income history is required to be documented. The following applies to the EXPRESS SELECT (QM) and EXPRESS SELECT (NON-QM) programs:</p> <ul style="list-style-type: none"> » Express Select (QM): Gaps in excess of thirty (30) days during the past two (2) years require a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of six (6) months to include as qualifying income. » Express Select (QM): Gaps in excess of thirty (30) days during the past two (2) years require a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of six (6) months to include as qualifying income. <ul style="list-style-type: none"> - Extended gaps of employment (six (6) months or greater) require a documented two (2) year work history prior to the absence. - Exceptions may be considered on a case-by-case basis when the borrower is on the job less than six (6) months, and the gap is less than six (6) months.

**INCOME /
EMPLOYMENT**

- » **Express Select (Non-QM):** Gaps in excess of sixty (60) days during the past two (2) years require a satisfactory letter of explanation and the borrower must be employed with their current employer for a minimum of six (6) months to include as qualifying income.
 - Exceptions for gaps in employment in excess of six (6) months and when the borrower has been employed by their employer less than six (6) months will be considered on the **Express Select (Non-QM)** program only.

General Documentation Requirements:

- » **Tax transcripts for two (2) years are required to validate all income used for qualifying and must match the documentation in the loan file. For Tax Payer Identity Theft instructions, see Jumbo Program Eligibility Supplement. For cases where the IRS indicates "No Record Found" see Jumbo Program Eligibility Supplement.**
- » **4506-T must be signed and completed for all borrowers.**
 - A signatory attestation box has been added to the signature section of the 4506-T. The IRS will require the new form with the check box and require it be marked. (4506-T Rev. September 2015 Form) Required on all loans closed on or after 03/01/2016.
- » **Income calculation worksheet or 1008 with income calculation. The Fannie Mae 1084, or Freddie Mac Form 91 or equivalent is required for self-employment analysis. The most recent Form 1084 or Form 91 should be used based on application date. Instructions per Form 1084 or Form 91 must be followed.**
- » **Paystubs must meet the following requirements:**
 - Clearly identify the employee/borrower and the employer.
 - Reflect the current pay period and year-to-date earnings.
 - Computer generated.
 - Paystubs issued electronically via email or internet, must show the URL address, date and time printed and identifying information.
 - Year-to-date pay with most recent pay period at the time of application and no earlier than ninety (90) days prior to the Note date.
- » **W-2 forms must be complete and be a copy provided by the employer.**
- » **Verification of Employment Requirements:**
Requirements below apply when income is positive and included in qualifying income:
 - Verbal Verification of Employment (VVOE) must be performed no more than ten (10) business days prior to the Note date. The Verbal VOE should include the following information for the borrower:
 - Date of contact
 - Name and title of person contacting the employer
 - Name of employer
 - Start date of employment
 - Employment status and job title
 - Name, phone #, and title of contact person at employer
 - Independent source used to obtain employer phone number
- » **Verification of the existence of borrower's self-employment must be verified through a third party source and no more than thirty (30) calendar days prior to the Note date.**
 - Third party verification can be from a CPA, regulatory agency or applicable licensing bureau. A borrower's website is not acceptable third party source.
 - Listing and address of the borrower's business
 - Name and title of person completing the verification and date of verification.
- » **Written Verification of Employment may be required for a borrower's income sourced from commissions, overtime and or other income when the income detail is not clearly documented on W-2 forms or paystubs. Written VOEs cannot be used as a sole source for verification of employment, paystubs and W-2s are still required.**

**INCOME /
EMPLOYMENT**

Residual Income Requirements for Select Non-QM:

Residual income calculation is required. Select Non-QM loans must meet the residual income requirements below. Residual income equals gross qualifying income less monthly debt (as included in the debt-to-income ratio).

# in Household	1	2	3	4	5
Required Residual	\$1,550	\$2,600	\$3,150	\$3,550	\$3,700

Tax Returns must meet the following requirements when used for qualifying:

- » Personal income tax returns (if applicable) must be complete with all schedules (W-2 forms, K-1s etc.) and must be signed and dated on or before the closing date.
- » Business income tax returns (if applicable) must be complete with all schedules and must be signed.
- » For unfiled tax returns for the prior year’s tax return, please see the Jumbo Program Eligibility Supplement.

Unacceptable Sources of Income:

- » Any unverified source
- » Deferred compensation
- » Temporary income or one-time occurrence income
- » Rental income from primary residence or second home
- » Retained earnings
- » Education benefits
- » Trailing spouse income
- » Any income that is not legal in accordance with all applicable federal, state and local laws, rules and regulations. Federal law restricts the following activities and therefore the income from these sources are not allowed for qualifying:
 - Foreign shell banks
 - Medical marijuana dispensaries
 - Any business or activity related to recreational marijuana use, growing, selling or supplying of marijuana, even if legally permitted under state or local law.
 - Businesses engaged in any type of internet gambling.

**Specific Income Documentation Requirements
Non-Self Employment Documentation Requirements:**

Salaried income

- » YTD paystub
- » W-2s or personal tax returns- 2 years
- » VVOE

Hourly and Part-Time Income

- » YTD paystub
- » W-2s or personal tax returns- 2 years
- » VVOE
- » Stable to increasing income should be averaged over a 2 year period.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

**INCOME /
EMPLOYMENT**

Commission Income

- » YTD paystub
- » 2 years W-2s if commissions are less than 25% of total income or
- » 2 years tax returns and W-2 forms required if commissions are \geq 25% of the total income. Unreimbursed business expenses (form 2106) must be subtracted from income.
- » VVOE
- » Stable to increasing income should be averaged for the 2 years.

Overtime and Bonus Income

- » YTD paystub
- » W-2s or personal tax returns-2 years
- » VVOE
- » Stable to increasing income should be averaged for the 2 years

2106 Expenses

- » Employee business expenses must be deducted from the adjusted gross income.

Alimony/Child Support/Separate Maintenance

- » Considered with a divorce decree, court ordered separation agreement, or other legal agreement provided the income will continue for at least three (3) years.
- » If the income is the borrower's primary income source and there is a defined expiration date (even if beyond 3 years) the income may not be acceptable for qualifying purposes.
- » Evidence receipt of full, regular, timely payments for the most recent 12 months.

Asset Depletion

- » **Express Select (QM): Not allowed.**
- » **Express Select (Non-QM): Calculate the depletion of assets using a 3% return over the life of the loan; similar to calculating a P & I payment for a mortgage.**
 - For borrowers $>$ 59 ½ years of age, all post-closing retirement and liquid assets may be used in the calculation as long as the assets are fully vested and unrestricted.
 - For borrowers $<$ 59 ½, all post-closing liquid (non-retirement) assets can be included in the calculation.
 - *Minimum liquid post-closing assets of \$500,000 required in order to include asset depletion for qualifying income*
 - Business funds are not allowed for income calculation

Borrowers Employed by Family

- » YTD paystub
- » 2 years W-2s and
- » 2 years personal tax returns
- » VVOE
- » Borrower's potential ownership in the business must be addressed.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

**INCOME /
EMPLOYMENT**

Capital Gains

- » Must be gains from similar assets for 3 continuous years to be considered as qualifying income.
- » If the trend results in a gain it may be added as income
- » If the trend results in a loss it may be deducted from total income
- » Personal tax returns- 3 years with a consistent history of gains from similar assets.
- » Document assets similar to the assets reported as capital gains to support the continuation of the capital gain income.

Dividends and Interest Income

- » Personal tax returns-2 years
- » Documented assets to support the continuation of the interest and dividend income

Foreign Income

- » YTD paystub
- » W-2 forms or the equivalent and personal tax returns reflecting the foreign earned income. Income must be reported on 2 years US tax returns.
- » VVOE
- » All income must be converted to US Currency.

K-1 Income/Loss on Schedule E

- » If the income is positive and not used for qualifying, the K-1 is not required.
- » If the income is negative, the K-1s for the applicable years are required and if ownership is 25% or greater, see self-employment requirements below.

Non-taxable Income

(Child support, military rations / quarters, disability, foster care, etc.)

- » Documentation must be provided to support continuation for 3 years.
- » Income may be grossed up by applicable tax amount. Tax returns must be provided to confirm income is non-taxable.
- » If the borrower is not required to file a federal tax return, gross-up to 25%.

Note Income

- » Copy of the Note must document the amount, frequency and duration of the payment.
- » Evidence of receipt for the past twelve (12) months and evidence of the Note income must be reflected on personal tax returns.
- » Note income must have a three (3) year continuance.

Projected Income

- » Not allowed on Express. May consider on an exception basis if borrower has a non-revocable contract and employment starts within 60 days of closing.
- » **EXPRESS SELECT (NON-QM)-will allow projected income with an executed offer letter with employment starting within 60 days of closing.**
 - All contingencies of the offer letter must be removed/satisfied.
 - 2 year employment history/schooling in the same field prior to the start date.
 - Borrower must qualify with base pay only.
 - A paystub or written VOE (once employment has started) from the new job must be provided prior to CHMW purchasing the loan.

<p>INCOME / EMPLOYMENT</p>	<p>Rental Income</p>
	<ul style="list-style-type: none"> » All properties (except departing primary residence) » Lease agreements must be provided if rental income is used for qualifying purposes. <ul style="list-style-type: none"> - Current lease for each rental property, including commercial properties listed in Part 1 of Schedule E of the 1040s. Rent rolls are not allowed. - If the current lease amount is less than the rental income reported on the tax returns, justification for using the income from the tax returns must be provided and warrant the use of the higher income. If there is no justification, the lease amount less expenses will be considered for rental income/loss. » Personal tax returns - 2 years <ul style="list-style-type: none"> - For properties listed on Schedule E, rental income should be calculated using net rental income + depreciation + interest + taxes + insurance + HOA divided by applicable months minus PITIA. - If rental income is not available on the borrower's tax returns, net rental income should be calculated using gross rents X75% minus PITIA. » Net rental income must be added to the borrower's total monthly income. » Net rental losses must be added to borrower's total monthly obligations. » If the subject property is the borrower's primary residence and generating rental income, the full PITIA should be included in the borrower's total monthly obligations.
	<p>Rental Income-Departing Primary Residence</p>
	<ul style="list-style-type: none"> » If the borrower is converting their current primary residence to a rental property and using rental income to offset the payment the following requirements apply: <ul style="list-style-type: none"> - Borrower must have documented equity in departure residence of 25%. - Documented equity may be evidenced by an exterior or full appraisal dated within six (6) months of subject transaction OR - Documented equity may be evidenced by the original sales price and the current unpaid principal balance. - Copy of current lease agreement. - Copy of security deposit and evidence of deposit to borrower's account.
	<p>Restricted Stock and Stock Options</p>
	<ul style="list-style-type: none"> » May only be used as qualifying income if the income has been consistently received for two (2) years and is identified on the paystubs, W-2s and tax returns as income and the vesting schedule indicates the income will continue for a minimum of three (3) years at a similar level as prior two (2) years. » A two (2) year average of prior income received from RSUs or stock options should be used to calculate the income, with the continuance based on the vesting schedule using a stock price based on the 52 week low for the most recent twelve (12) months reporting at the time of closing. The income used for qualifying must be supported by future vesting based on the stock price used for qualifying and vesting schedule.

**INCOME /
EMPLOYMENT**

**Retirement Income
(Pension, Annuity, 401k, IRA Distributions)**

- » Existing distribution of assets from an IRA, 401k or similar retirement asset must be sufficient to continue for a minimum of 3 years.
 - Distribution must have been set up at least six (6) months prior to loan application if there is no prior history of receipt OR
 - 2 year history of receipt evidenced.
 - Distributions cannot be set up or changed solely for loan qualification purposes.
- » Document regular and continued receipt of income as verified by any of the following:
 - Letters from the organizations providing the income.
 - Copies of retirement award letters.
 - Copies of federal income tax returns (signed and dated on or before the closing date).
 - Most recent IRS W-2 or 1099 forms.
 - Proof of current receipt with 2 months bank statements.

NOTE: If any retirement income will cease within the first three (3) years of the loan, the income may not be used.

Social Security Income

- » Social Security income must be verified by a Social Security Administration benefit verification letter. If benefits expire within the first three (3) years of the loan, the income may not be used.
- » Benefits (children or surviving spouse) with a defined expiration date must have a remaining term of at least three (3) years.

Trust Income

- » Income from trusts may be used if guaranteed and regular payments will continue for at least 3 years.
- » Regular receipt of trust income for the past 12 months must be documented.
- » Copy of trust agreement or trustee statement showing:
 - Total amount of borrower designated trust funds
 - Terms of payment
 - Duration of trust
- » Portion of income that is non-taxable. Non-taxable trust income must include proof of distribution.

Self-Employment

Self-Employed borrowers are defined as having 25% or greater ownership or receive 1099 statement to document income. The requirements below apply for Self-Employed borrowers.

Income calculations should be based on the Fannie Mae Form 1084 or Freddie Mac Form 91 or equivalent income calculation form. Year-to-date is defined as the period ending as of the most recent tax return through the most recent quarter ending one (1) month prior to the Note date. For tax returns on extension the entire unfiled year is also required. For example: 2014 returns in file and Note date is 7/14/2015 would require 2015 YTD documentation through Q1 or through March 31, 2015. Note date of 8/14/2015 would require YTD documentation covering Q1 and Q2 or through June 30, 2015.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

<p>INCOME / EMPLOYMENT</p>	<p style="text-align: center;">Sole Proprietorship</p>
	<ul style="list-style-type: none"> » 2 years personal tax returns, signed on or before the closing date. » YTD profit and loss statement » YTD balance sheet. Tax returns for prior year is not a substitute for balance sheet if most recent quarter falls in previous tax year. » Stable to increasing income should be averaged for 2 years. <p>NOTE: YTD P&L and YTD Balance Sheet may be waived if the borrower is a 1099 paid borrower who does not actually own a business if all of the following requirements are met:</p> <ul style="list-style-type: none"> - Schedule C in Block 28 (Total Expenses) must be analyzed in relation to income in Block 7 (Gross Income). Expenses are less than 5% of income. - Analysis of Blocks 8 (Advertising), 11 (Contract Labor), 16a (Mortgage Interest, 20 (Rent/Lease) 26 (Wages) must indicate the borrower does not have expenses in these categories. - Analysis of Blocks 17 (Legal and Professional Services) and Block 18 (Office Expense) indicate nominal or \$0 expense. - Block C (Business Name) does not have a separate business name entity. - Year-to-date income in the form of a written VOE or pay history is provided by the employer paying the 1099. YTD income must support prior year's income.
	<p style="text-align: center;">Partnership/ S-Corporation</p>
<p>MULTIPLE FINANCED PROPERTIES</p>	<ul style="list-style-type: none"> » 2 years personal tax returns, signed on or before the closing date. » Two (2) years K-1s reflecting ownership percentage if counting any income from this source in qualifying (K-1 income, W-2 income, capital gains or interest/dividends) or if Schedule E reflects a loss. » Two (2) years business tax returns (1065s or 1120s) signed if 25% or greater ownership. Business returns are not required if the income reporting is positive, not declining and not counted as qualifying income. » YTD profit and loss statement if 25% or greater ownership. » YTD balance sheet if 25% or greater ownership. » Stable to increasing income should be averaged for 2 years.
	<p style="text-align: center;">Corporation</p>
	<ul style="list-style-type: none"> » 2 years personal tax returns, signed on or before the closing date. » 2 years business returns (1120) signed if 25% or greater ownership. » Business returns must reflect % of ownership for borrower. » YTD profit and loss statement if 25% or greater ownership. » YTD balance sheet if 25% or greater ownership. » Stable to increasing income should be averaged for 2 years <ul style="list-style-type: none"> » The borrower(s) may own a total of four (4) financed, 1-4 unit residential properties including the subject property and regardless of the occupancy type of the subject property. <ul style="list-style-type: none"> - Second home cash-out transactions limit the number of financed properties to the subject property and a primary residence. » All financed 1-4 unit residential properties require an additional six (6) months reserves for each property, unless the exclusions below apply. » 1-4 unit residential financed properties held in the name of an LLC or other corporation can be excluded from the number of financed properties only when the borrower is not personally obligated for the mortgage. » Ownership of commercial or multifamily (five (5) or more units) real estate is not included in this limitation.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

<p>PROPERTIES LISTED FOR SALE</p>	<ul style="list-style-type: none"> » Properties currently listed for sale are not eligible. » Properties listed for sale within six (6) months of the application date are acceptable if the following requirements are met. <ul style="list-style-type: none"> - Rate and Term refinance only. - Primary and second homes only. - Documentation provided to show cancellation of listing. - Acceptable letter of explanation from the borrower detailing the rationale for cancelling the listing. » Cash-out refinances are not eligible if the property was listed for sale within 12 months of the application date.
<p>ELIGIBLE PROPERTIES</p>	<ul style="list-style-type: none"> » 1-2 Unit Owner Occupied Properties » 1 Unit Second Homes » 1-4 Unit Investment Properties » Condominiums <ul style="list-style-type: none"> - CPM or PERS allowed - Full Review required, warranty to Fannie Mae guidelines - Limited review allowed only for detached condominiums - Florida condominiums limited to 50% LTV/CLTV/HCLTV on investment transactions » Cooperatives <ul style="list-style-type: none"> - Must meet Fannie Mae project standards - Underlying Blanket Mortgage-any underlying/blanket mortgage for the project may be a balloon mortgage with a remaining term of less than three (3) years, but not less than six (6) months. If the balloon incorporates an adjustable rate feature, the current interest rate may not be subject to an interest rate adjustment prior to the maturity date. - Investment properties not allowed » Modular Homes » Planned Unit Developments (PUDs) » Properties with ≤ 40 Acres <ul style="list-style-type: none"> - Properties >10 acres ≤ 40 acres must meet the following: <ul style="list-style-type: none"> • <i>Maximum land value 35%</i> • <i>No income producing attributes</i> • <i>Transaction must be 10% below maximum LTV/CLTV/HCLTV as allowed on Select QM for transactions over twenty (20) acres</i> • <i>20, 25, 30-year fixed rate only for transactions over twenty (20) acres</i> » Properties Subject to Existing Oil/Gas Leases must meet the following: <ul style="list-style-type: none"> - Title endorsement providing coverage to the lender against damage to existing improvements resulting from the exercise of the right to use the surface of the land which is subject to an oil and/or gas lease. - No active drilling. Appraiser to comment or current survey to show no active drilling. - No lease recorded after the home construction date. Rerecording of a lease after the home was constructed is permitted. - Must be connected to public water. <p>NOTE: Properties that fall outside these parameters can be considered on an exception basis. Miscellaneous: Properties with leased solar panels must meet Fannie Mae requirements.</p> <p>Acceptable Forms of Ownership:</p> <ul style="list-style-type: none"> » Fee Simple with title vesting as: <ul style="list-style-type: none"> - Individual - Joint tenants - Tenants in Common » Leaseholds must meet Fannie Mae requirements. » Deed/Resale Restrictions must meet Fannie Mae requirements.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

<p align="center">INELIGIBLE PROPERTIES</p>	<ul style="list-style-type: none"> » 2-4 unit second home properties » 3-4 unit owner occupied properties » Condotels / Condo Hotels » Manufactured Homes/Mobile Homes » Mixed-Use Properties » Non-Warrantable Condominiums » Properties with condition rating of C5/C6 » Properties with construction rating of Q6 » Properties located in Hawaii in lava zones 1 & 2 » Properties > 40 acres » Unique properties » Working farms, ranches or orchards
<p align="center">NON ARMS-LENGTH TRANSACTIONS</p>	<p>A non-arm's length transaction exists whenever the borrower has a personal or business relationship with parties to the transaction which may include the seller, builder, real estate agent, appraiser, lender, title company or other interested party. The following non-arm's length transactions are eligible:</p> <ul style="list-style-type: none"> » Family Sales or Transfers » Property seller acting as their own real estate agent » Borrower acting as their own real estate agent » Borrower is the employee of the originating lender and the lender has an established employee loan program. Evidence of employee program to be included in loan file. » Borrower purchasing from their current landlord (cancelled checks or bank statements required to verify satisfactory pay history between borrower and landlord). <p>Investment property transactions must be arm's length. Other Non-Arm's Length transactions may be acceptable on an exception basis</p>
<p align="center">DISASTER POLICY</p>	<p align="center">See Jumbo Program Eligibility Supplement for requirements.</p>
<p align="center">ESCROW HOLDBACKS</p>	<p align="center">Not allowed.</p>
<p align="center">APPRAISAL REQUIREMENTS</p>	<ul style="list-style-type: none"> » Transferred appraisals are not allowed. » Appraisals must be completed for the subject transaction. Use of a prior appraisal, regardless of the date of the prior appraisal, is not allowed. » Recertification of value is not allowed. If appraisal is over 120 days old, a new full appraisal is required. » Investment properties must contain a rent comparable schedule. » Collateral Desktop Analysis (CDA) with accompanying MLS sheets ordered from Clear Capital is required to support the value of the appraisal. The Lender is responsible for ordering the CDA. - If the CDA returns a value that is "Indeterminate" or if the CDA indicates a lower value than the appraised value that exceeds a 10% tolerance then one (1) of the following requirements must be met: <ul style="list-style-type: none"> - A Clear Capital BPO (Broker Price Opinion) and a Clear Capital Value Reconciliation of Three Reports is required. The Value Reconciliation will be used for the appraised value of the property. The Lender is responsible for ordering the BPO and Value Reconciliation through Clear Capital. - A field review or 2nd full appraisal may be provided. The lower of the two values will be used as the appraised value of the property. Borrower is responsible for the field review or 2nd full appraisal.

JUMBO EXPRESS SELECT (QM) AND EXPRESS SELECT (NON-QM) UNDERWRITING GUIDELINES

**APPRAISAL
REQUIREMENTS**

- » **For properties purchased by the seller of the property within ninety (90) days of the fully executed purchase contract the following requirements apply:**
 - Second full appraisal is required.
 - Property seller on the purchase contract is the owner of record.
 - The above requirements do not apply if the property seller is a bank that received the property as a result of foreclosure or deed in lieu.
- » **Appraisal requirements based on loan amount: See below.**

Purchase Transactions

First Lien Amount	Appraisal Requirements
≤ \$2,000,000	1 Full Appraisal
> \$2,000,000	2 Full Appraisals

Refinance Transactions

≤ \$1,000,000	1 Full Appraisal
> \$1,000,000	2 Full Appraisals

- » **When two (2) appraisals are required, the following applies:**
 - Appraisals must be completed by two (2) independent companies.
 - The LTV will be determined by the lower of the two (2) appraised values as long as the lower appraisal supports the value conclusion.
 - Both appraisal reports must be reviewed and address any inconsistencies between the two (2) reports and all discrepancies must be reconciled.
 - A CDA is required, see requirements listed above for CDAs.
 - If the two (2) appraisals are done "subject to" and 1004Ds are required, it is allowable to provide one (1) 1004D. If only one (1) 1004D is provided, it should be for the appraisal that the value of the transaction is being based upon.